Worldwide Market Demand Drives Trade

The U.S. is the largest exporter and importer of agricultural products in the world. However, nearly 96% of the world's population lives outside the U.S. Given global population distribution and our abundant agricultural production, the need to seek and expand markets is clear.

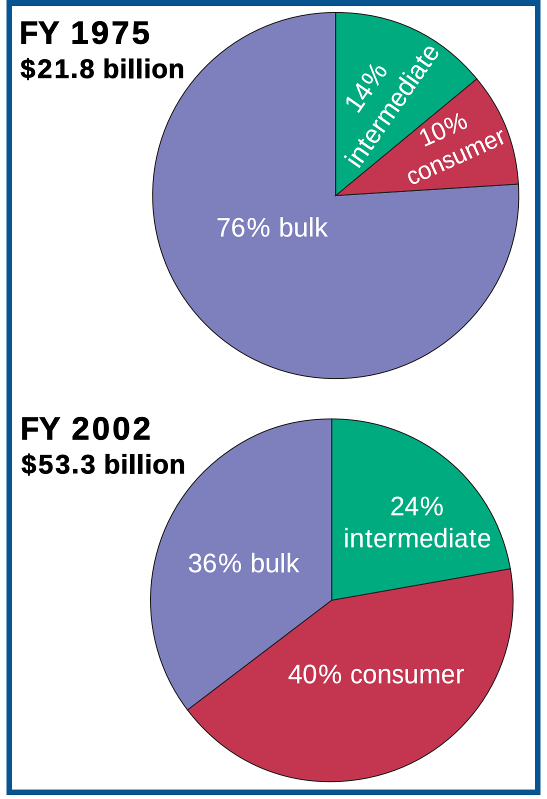
Agriculture continues to be a bright spot in the economy. U.S. agriculture has enjoyed a trade surplus since 1960. In 2002, the $53.3 billion in export dollars generated an additional $78.4 billion in economic activity for an overall economic gain of $132 billion.

Nearly one-third of American agriculture production moves into export markets and 11% of the farm workforce is supported by exports. Jobs created by exports pay higher than average wages and are distributed across many communities and professions, both on and off the farm, in urban, and rural communities. Nationally, agriculture exports generated 801,000 full-time civilian jobs, which include 457,000 jobs in the non-farm sector.

FY 2002 U.S. Agriculture Trade Balance ($ billion)

U.S. agriculture exports show dramatic shifts in total value as well as growth in the share of consumer-oriented product exports. Consumer-oriented products, loosely defined as anything a consumer may purchase in the supermarket, have surpassed bulk commodities as the largest export category. These products include fresh produce as well as processed foods.

Consumer & Intermediate goods vs. bulk goods (U.S. Agriculture Exports)



Trade Agreements and the U.S.

Export gains attributed to trade liberalization since 1985 are estimated by the USDA's Economic Research Service at $3.5 billion per year. Expanding access to existing markets and opening new markets under future trade agreements will significantly boost U.S. agricultural export sales.

Tariffs on agricultural products average 62% worldwide while the average tariff on food and agriculture products coming into the United States is only 12%. The average worldwide tariff on corn is 72%, 70% on wheat, and more than 75% on beef.

There are more than 130 free trade agreements in force around the world, the U.S. being party to five. Today the U.S. is aggressively seeking new trade agreement, negotiating currently with 14 countries. The Free Trade Area of the Americas (FTAA) negotiations will one day unite 34 countries into the largest trading region in the world. The U.S. is continuing to work on agricultural trade and is vigilant in seeking reductions in tariffs, tariff-rate quotas, export subsidies, trade-distorting domestic support, and the use of trade-remedy laws.

Macroeconomic factors affect trade around the world

- Changes in exchange rates
- Growth and stability of world markets
- Changes in population
- Economic growth
- Worldwide income
- Global supplies and prices
- Government support of agriculture
- Trade protection policies
- Commodity and food prices
- Food variety

Key trade agreements at a glance

NAFTA — North American Free Trade Agreement

(Canada, USA, Mexico)

- Implemented January, 1994
- Preceded by U.S.-Canadian free trade agreement in 1984
- Second largest free-trade zone, 414 million consumers
- Phases out most trade restrictions
- Will be fully implemented by 2008

In 2002, combined Mexican and Canadian imports reached $15.9 billion in U.S. agricultural products, exceeding combined agriculture sales to Japan and the EU ($14.5 billion).

WTO — World Trade Organization

146 Member Countries (accounting for 90 % of world trade)

- Created to help international trade flow freely, fairly, smoothly, and predictably
- Established in 1995, replaced GATT(created in 1947)
- Administers trade agreements
- Provides a forum for trade negotiations and for settling trade disputes
- Negotiations are held in "rounds" and cover specific areas of trade

URUGUAY ROUND 1986-1994

- The 8th multilateral trade round and the first to address agriculture in a comprehensive manner
- Reduced export subsidies, lowered excessive tariffs
- New dispute settlement mechanism for agriculture
- Converted non-tariff barriers to tariffs
- Reduced the value and volume of subsidized exports
- Lowered aggregate spending on certain domestic support programs
- Cut average tariffs by setting percentages
- Established the agreement on the application of sanitary and phytosanitary (SPS) to regulate trade flows and to protect human, plant, and animal life/health

DOHA ROUND 2001-2005

Reduce Tariffs: The U.S. proposes to use a "harmonization" approach that will cut rates proportionally so that no individual tariff would exceed 25% after the five-year phase-in period. Moreover, the U.S. is seeking that WTO member countries eliminate all tariffs on agricultural products.

Eliminate export subsides: The U.S. proposes total elimination of subsidies by 2005. The E.U. is the major user of export subsidies, accounting for 87% of the world total usage, spending $2 billion per year and having spent up to $8 billion a year. The U.S. accounts for 1% of export subsidies a year, with Switzerland using 6%, Norway using 3% and the rest of the world combined using the remaining 3%.

Reduce Domestic Subsidies: The U.S. proposes reducing domestic subsidies to 5% of total agricultural production, resulting in a $100 billion reduction in worldwide trade-distorting subsidies. The U.S. allowable level would move from $19.1 to $10 billion per year, the E.U. level would change from $62 to $12.5 billion per year, and the Japanese level would move from $31 to $4 billion per year. In addition, the U.S. seeks to 1) increase all tariff quotas by 20% and to tighten rules on TRQ administration, 2) encourage import activity be directed by non-government organizations, and 3) establish disciplines on state trading enterprises.

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IDAHO AGRICULTURE TRADE FACTS

IDAHO STATE DEPARTMENT OF AGRICULTURE

Idaho's top agriculture exports

(FY 2002, $ million)

1. Vegetables and preparations	$246.8
2. Wheat & wheat products	$158.0
3. Live animals & meat	$93.4
4. Dairy products	$52.0
5. Hides & skins	$46.8
Total agriculture exports	$789.2

- Over 70% of Idaho's wheat crop is exported
- Over 75% of Idaho's pea & lentil crop is exported

Q: Why is marketing Idaho food & agriculture important?

A: We're productive! If we had to consume all the products produced in the state, each Idahoan would have to consume the following EVERY DAY:

55 potatoes

5 1/4 pound burgers

30 glasses of milk

223 slices of bread

- 2 onions
- 632 beans

and more...

How does Idaho benefit from international trade agreements?

NAFTA

- **U.S. french fry exports to Mexico grew from $9.6 million in 1994 to $35 million in 2002.**
- **U.S. beef exports to Mexico have risen from $164 million to $596 million in 2002.**

WTO

- **Japan lowered its tariffs on most fresh and processed vegetables. Japan is a significant importer of Idaho potato products and processed sweet corn.**
- **Japanese imports of U.S. french fries rose 23% from 1993 to $152 million in 2002.**

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ISDA Marketing Division Mission

Maximize opportunities for domestic and international markets for Idaho food and agricultural products, rural development, and agricultural diversification.

The division provides many services customized to the needs of Idaho companies. The division has both international and domestic programs designed to service small- to medium-sized companies looking for market solutions and alternatives.

Idaho's Role in the Global Marketplace

Idaho Agriculture Exports generate employment and income in every community (FY 2002)

- Idaho's agricultural products were exported worldwide to 86 countries.
- Idaho's cash receipts from farming reached $3.9 billion, a record high, and exports totaled $789.2 million (20% reliance on agriculture exports).
- Idaho agriculture exports supported 11,700 jobs - both on and off the farm - in food processing, storage, and transportation.
- Idaho agriculture exports stimulated an additional $1.2 billion in economic activity.

From Idaho to the world - where do we export?

Total share of Idaho's agriculture exports by country (FY 2002)

Country	%
Japan	32.0
Canada	22.3
China	8.0
Taiwan	7.0
Mexico	6.2
Korea	4.5
Other	20.0

Free and fair access

"Expansion of international markets and export development are at the very core of the state's promotion strategy. With nearly 96% of the world's population living outside the United States - and Idaho's abundant agricultural production - our economy will only become more dependent on our ability to freely and fairly access the global marketplace."

Patrick A. Takasugi
Director, Idaho State Department of Agriculture

Dollar for dollar

"Dollar for dollar, the United States exports more corn than cosmetics, more wheat than coal, more bakery products than motorboats, and more fruits and vegetables than household appliances."

Robert Zoellick
U.S. Trade Representative

World's average tariffs

"We want to see significant improvement to market access... because the world's average tariff in agriculture is about five times what we have here in the United States."

Ann M. Veneman
U.S. Secretary of Agriculture